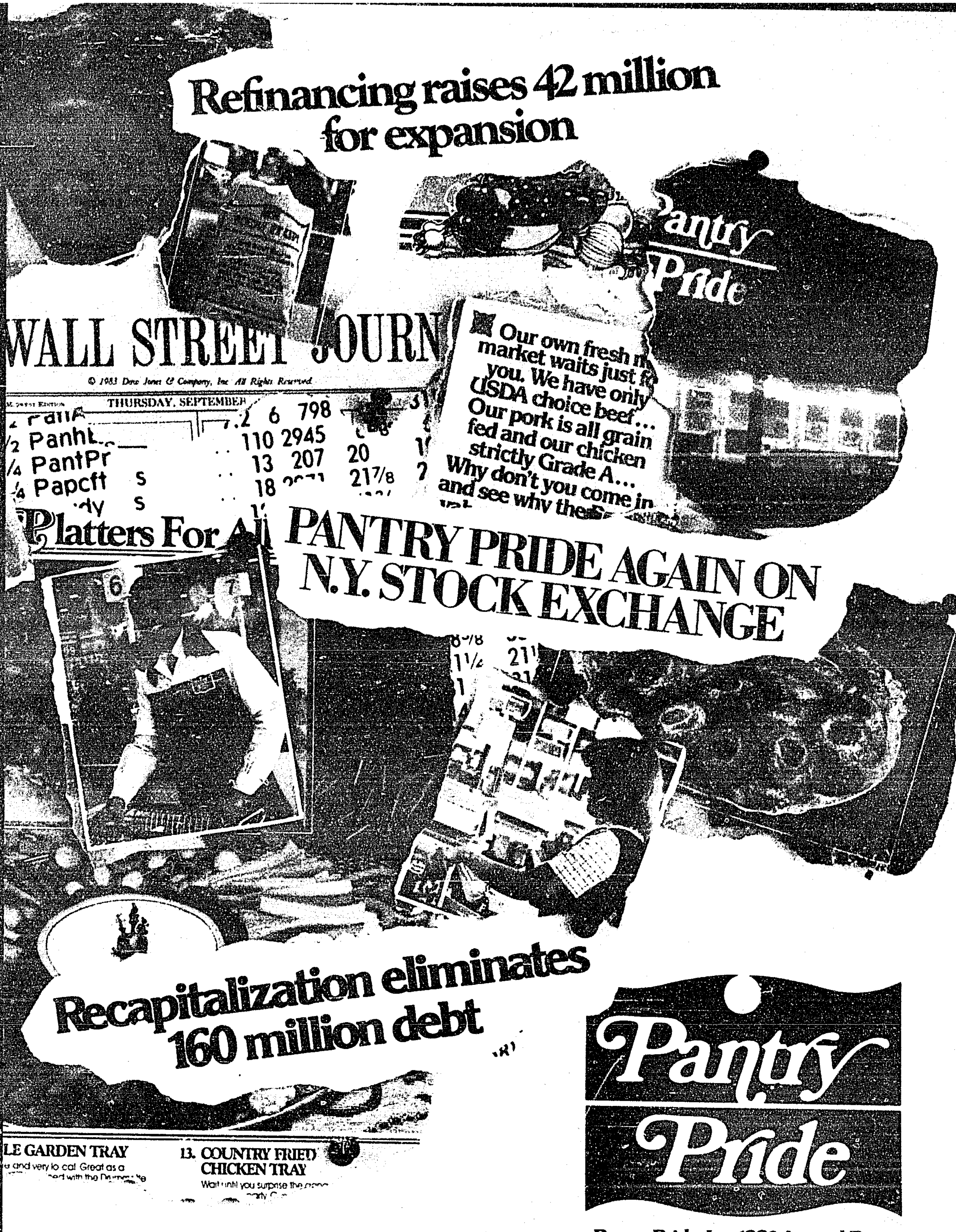



Pantry Pride, Inc. 1983 Annual Report

## OUR BUSINESS

At fiscal year end, the Company operated through its subsidiary, Pantry Pride Enterprises, Inc., a chain of Pantry Pride supermarkets in Florida, Georgia, Virginia and the Bahamas.

## ANNUAL MEETING

The annual meeting of stockholders will be held Thursday, December 8, 1983, at 11 A.M., local time, at the Holiday Inn, 5100 North State Road 7, Fort Lauderdale, Fla. Stockholders are cordially invited to attend. A notice of the meeting, a proxy statement and proxy form are included with this report to each stockholder of record as of October 17, 1983.

## FORM 10-K

A copy of Form 10-K for the fiscal year ended July 30, 1983, which has been filed with the Securities and Exchange Commission, is available to stockholders at no charge upon written request to: Office of the Corporate Secretary, Pantry Pride, Inc., 6500 North Andrews Avenue, Fort Lauderdale, Florida 33309.

## COMMON STOCK TRADED

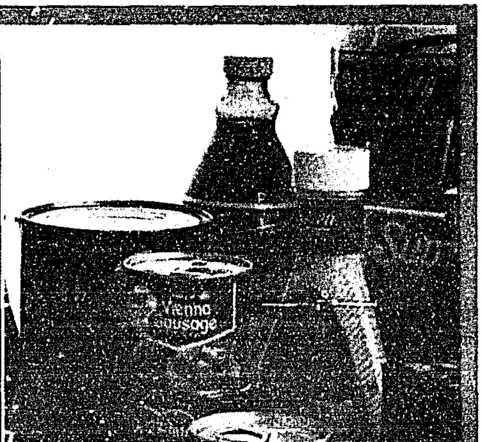
New York Stock Exchange
Pacific Stock Exchange

# Pantry Pride 1983 Annual Report

*"We are grateful to have had the enduring support of our stockholders and guidance of our Board of Directors throughout the past year. Without their encouragement and without the loyalty of thousands of Pantry Pride employees, implementation of the programs needed to make this company strong would not have been possible."*

*Inviting exteriors are a mark of Pantry Pride's store locations, convenient to key residential areas*

*Pantry Pride features the finest national brands in all product lines.*



The events of the past year were milestones in our history and enabled your Company to move significantly closer to its long-range financial and operating objectives. The importance of recapitalization, refinancing and our new relationship with Super Valu Stores, Inc. has profoundly affected and will continue to affect your Company's health well into the foreseeable future.

With the overwhelming support of stockholders at our Annual Meeting on January 19, 1983, a recapitalization proposal was approved. With the acceptance of that proposal, various categories of previously issued preferred stock were exchanged for approximately 11.4 million shares of common stock and $13.2 million in cash. Recapitalization produced a $25.5 million increase in stockholders' equity. It also eliminated $160 million of debt and $60 million of preferred stock dividend payments—obligations which the Company had incurred as a result of the Chapter XI Plan of Arrangement. Under the original terms of the Plan of Arrangement, preferred stock issued to creditors was to have been redeemed through annual payments of $10 million, plus dividends beginning in 1985, and was to have continued until the year 2001.

In May of 1983, the Company was successful in raising $42 million through a public offering of 8¾% Convertible Debentures. This represents the first public offering the Company has made since its emergence from the Chapter XI proceedings. Following the Debenture financing in May of 1983, the Company announced the beginning of a growth program and a search for acquisitions which we expect would increase our earnings and accelerate the use of our tax loss carryforward totaling in excess of $300 million.

In 1983, we were also proud to have our stock relisted by the New York Stock Exchange. We were, of course, delisted from the New York Stock Exchange in 1978 shortly after the Company filed under Chapter XI. We continue to be listed on the Pacific Stock Exchange.

Fiscal year net earnings for the Company were $13.5 million, including extraordinary gains of $5.9 million from utilization of net operating loss carryforwards and $1.3 million from reduction of Chapter XI claims, offset by a loss of $2.7 million from discontinued operations, net of income taxes. Net earnings for the previous fiscal year were $15.5 million, including extra-ordinary gains of $6.2 million from utilization of net operating loss carryforwards and $2.0 million from reductions of Chapter XI claims, offset by a loss of $4.0 million from discontinued operations, net of income taxes. Operating profits in 1983 were $9.6 million as compared to the previous fiscal year's operating profits of $10.4 million. Fully diluted earnings per share for the current year were $.62, reflecting an additional 11.4 million shares outstanding at the current year-end, compared to $.78 for the previous fiscal year.

Sales from ongoing operations in fiscal 1983 were $941.6 million compared with $930.2 million in the previous fiscal year, or a 1.2% increase.

On August 4, 1983, the Company announced that negotiations between Pantry Pride and Super Valu, the nation's largest retail support wholesale grocer, had culminated in an agreement to sell to Super Valu our Miami warehouse and distribution center, inventory and truck fleet. With the consummation of this transaction on October 1, 1983, Super Valu became the primary wholesale supplier to our south Florida supermarkets, stores which will continue to be owned and operated by the Company. The agreement allows an option to Super Valu to also purchase our Jacksonville distribution facilities.

The agreement enables the redeployment of our capital investment in our warehouses, equipment, inventory and truck fleet in Miami, and if the option is exercised, in Jacksonville; allows the closing and divestiture of certain older, smaller marginal stores in the Miami region and permits operating personnel to concentrate exclusively on retail operations.

The agreement with Super Valu to sell our Miami warehouse operations allowed the closing of 24 unprofitable stores in the south Florida area. All store closings should be completed during the first quarter of our 1984 fiscal year, leaving the Company with a more efficient operating base of 126 Pantry Pride supermarkets.

Most importantly, as a result of the Super Valu relationship, we look forward in the ensuing months to presenting to south Florida a new and unique supermarket—the CUB concept store—which is well-known throughout the supermarket industry and distinguishes itself from a traditional supermarket in many ways. Averaging 65,000-70,000 square feet, this super warehouse-style store provides an exciting shopping atmosphere with consistently deeper product lines and item selection—approximately 17,000-18,000 items per store emphasizing name brands—at low prices. This represents substantially more items than are presently carried in our Pantry Pride


*"We look forward in the months to come to introducing a new type of store to south Florida...one whose merchandise quality and quantity will be well worth the investment."*

stores. Representative of a CUB-type store, as well, is the superior quality of the perishables with heavy emphasis on food product.

Having studied the CUB concept for some time, we feel confident that consumer reaction to these new stores will be favorable. Distribution functions for these stores will also be handled by Super Valu.

Inspired by the CUB concept, plans are also underway to introduce to the market a smaller version of the above-described stores. This particular store format now in use in 24 other locations throughout the country contemplates the conversion of some of our existing stores in the 25,000-40,000 square foot range to modernized, warehouse-style markets with the same CUB quality perishable departments and name brand selection. In addition, these stores will continue to carry our Pantry Pride generic products. Conversion preparations have begun and we anticipate the opening of the first of these type markets in the near future.

*Pantry Pride modern corporate headquarters at Ft. Lauderdale, Florida.*

To keep you informed:

- The installation of a computer-based energy conservation program, which had been implemented during our last fiscal year, will be completed this year. A reduction in our consumption of electricity was realized at year's end as a result of the program.
- Automatic scanning systems continue to be installed in our stores, with 78 stores being equipped with scanning devices at the end of this year. Scanning has positively affected accurate pricing and inventory control and has contributed to the reduction of labor manhours.
- As a result of the closing of our Baltimore operations in 1981, the Retail Clerks Tri-State Pension Fund this year filed a claim against the Company for $21 million, plus interest—far in excess of the amount the Company and its consulting actuary believed was due. The claim, which would require annual payments to the Fund including interest at $3.9 million a year for approximately 7 years, is currently being litigated. Counsel advises that we have adequate and meritorious defenses which should serve to sustain the Company's position.
- The Company will submit for approval at its Annual Meeting an Employee Stock Purchase Plan which would utilize a maximum of 500,000 shares of Pantry Pride Common Stock over the next five years.

We are grateful to have had the enduring support of our stockholders and the guidance of our Board of Directors throughout the past year. Without their encouragement and without the loyalty of thousands of Pantry Pride employees, implementation of the programs needed to make this Company strong would not have been possible.

A bright future lies ahead for us. We look forward with renewed confidence to meeting the challenges of operating a solid company with a new vitality.

G C Gentry

Grant C. Gentry
Chairman and
Chief Executive Officer

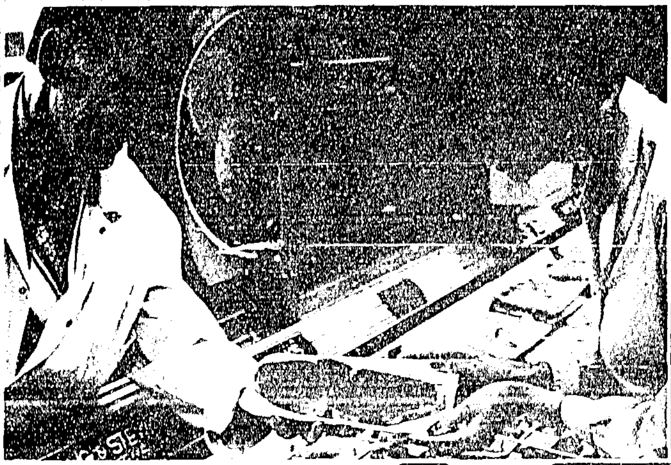
Roger L Galassini

Roger L. Galassini
President and
Chief Operating Officer


Pantry Pride employees are professional, and helpful

Pantry Pride employees take the same pride in serving customers as Pantry Pride takes in its food products.

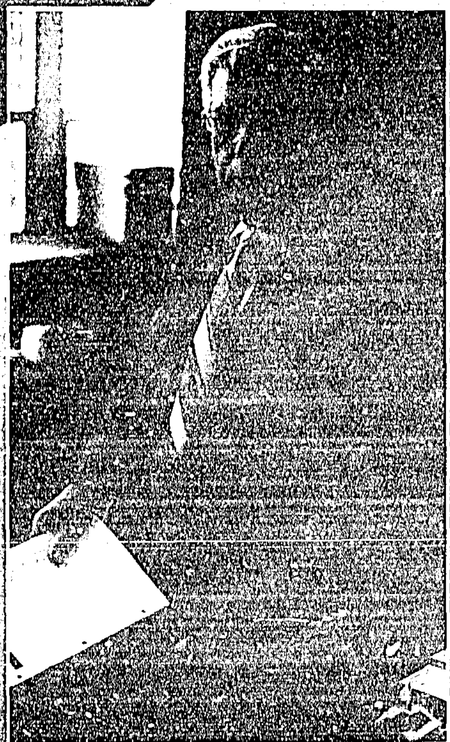
All Pantry Pride stores are open with shopping hours most convenient for their customers



Pantry Pride meat departments maintain consistent high quality plus "personal" service for special cuts of meat.

1983


Modern scanning equipment provides faster, more efficient service at Pantry Pride checkout counters.



Left to right, Robert R. Longacre, President, Jacksonville Region; Leonard Slider, President, Miami Region; and James J. Lane, President, Virginia Region.


*Particular attention is given to Pantry Pride departments featuring perishable foods*

Pantry Pride finances are in the capable hands of Michael Mandelblatt, Senior Vice President, Chief Financial Officer left; Henry H. Graham, Vice President, Controller, and inset, Robert L. McGrath, Treasurer

*"Recapitalization facilitates the exploration and enhancement of growth opportunities and will make it easier for us to utilize our federal tax loss carry-forward totaling as much as $368 million."*

*Enlarging new horizons of sales, profits and growth is the goal of Pantry Pride's Acquisition Committee. Left to right, Neil Thall, Senior Vice President, Administration; Roger L. Galassini, President and Chief Operating Officer; Grant C. Gentry, Chairman and Chief Executive Officer; and Michael Mandelblatt, Senior Vice President, Chief Financial Officer.*

# Board of Directors

**1. Robert B. Anderson**
Mr. Anderson, president of Robert B. Anderson & Co., Ltd., a consulting firm, is a former Secretary of the Treasury and Secretary of the Navy. He is a director of Pan American World Airways, Inc., Intercontinental Trailsea Corp, NRX Technologies, Inc., and Energy Clinic Corp.

**2. Michael Mandelblatt**
Mr. Mandelblatt was elected to his present position, Senior Vice President, Chief Financial Officer, on January 19, 1983 and became a Director of the Company on May 24, 1983. Prior thereto, he served as Treasurer. Before joining the Company in 1978, Mr. Mandelblatt was employed as an Audit Manager with Price Waterhouse Co. where he had been employed from April 1968 to March of 1978.

**3. Jewel S. Lafontant**
Mrs. Lafontant is a Partner in the law firm of Vedder, Price Kaufman & Kammholz. A former deputy solicitor general of the U.S., Mrs. Lafontant serves as a director of Trans World Corporation, Bendix Corporation, Continental Illinois Corporation, Foote, Cone & Belding, Inc., Harte-Hanks Communications, Inc. and The Equitable Life Assurance Society of the U.S.

**4. John M. Fox**
Mr. Fox, chairman of SCA Services, Inc., a chemical waste disposal company, is the retired chairman and chief executive of H.P. Hood, Inc. and earlier served in similar posts at United Fruit Company. He is one of the founders and former president of Minute Maid Corporation. An agribusiness consultant, he is a director of IBM, The Harvey Group and International Signal and Control, Inc. and a trustee of Eastern Gas and Fuel Associates.

**5. James J. Needham**
Mr. Needham has served as a chairman and chief executive of the New York Stock Exchange and as a Commissioner of the Securities and Exchange Commission. He is a director of NVF Company, Sharon Steel Corporation, American Savings and Loan Association, Caesars World, Inc., Caesars New Jersey, Inc., and Standard Register Company.

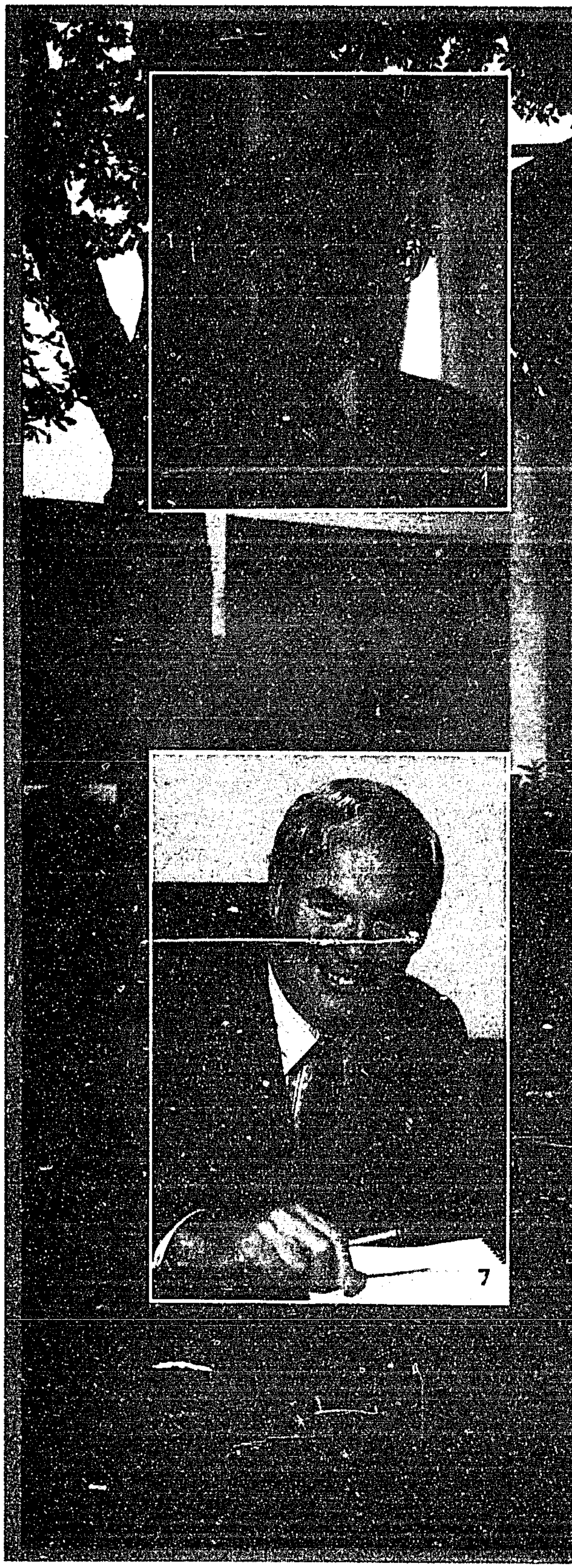
**6. Duane Peters**
Mr. Peters is the retired executive vice president and general manager and director of H.E. Butt Grocery Company and former executive vice president and general manager of Ralph's Grocery Company. He is a director of Hannaford Brothers Company and is the former chairman of the Western Association of Food Chains.

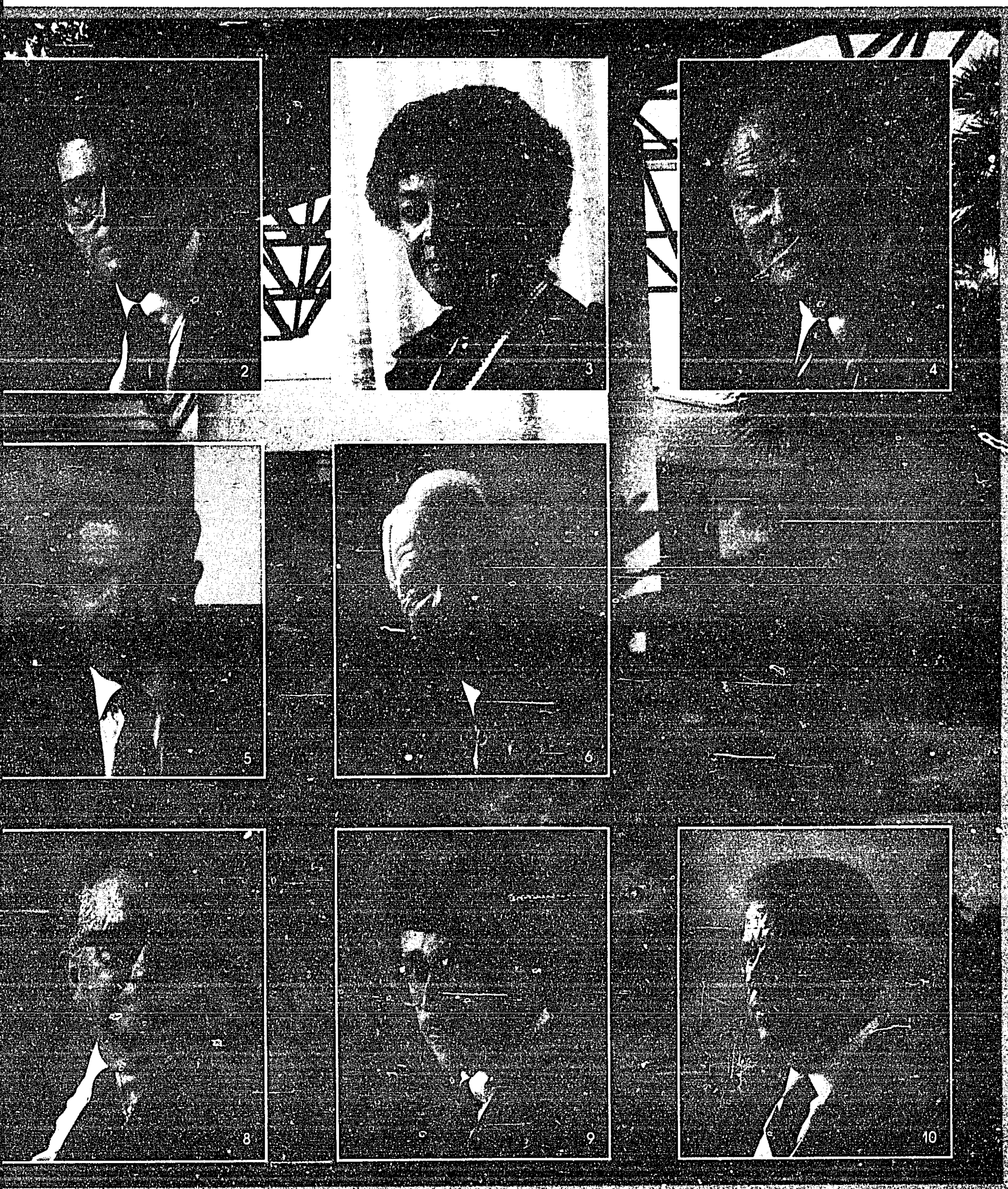
**7. Joseph L. Castle**
Mr. Castle is the principal of Joseph L. Castle Associates, a business-financial consultancy He serves as president of Castle Energy Corp., a company engaged in drilling for oil and gas. He is also a director of Reading Company, Horn and Hardart Baking Company, Comcast Corp., and Imperial Clevite Corp.

**8. Howard M. Packard**
Mr. Packard is the retired chairman and president of S.C. Johnson and Son, Inc. Mr. Packard is a director of the Kemper Insurance Group, Universal Foods Corp. and Heritage Banks of Milwaukee and Racine, Wis.

**9. Roger L. Galassini**
Mr. Galassini joined the Company in February 1979 as vice president and general counsel. A year later, he was elected executive vice president and chief administrative officer and then vice chairman. Previously, he was a vice president of The Great Atlantic & Pacific Tea Company where he had responsibility for public affairs and later administrative services. Earlier, he was with Jewel Companies, Inc. as corporate counsel, assistant general counsel and corporate secretary.

**10. Grant C. Gentry**
Mr. Gentry joined the Company as chairman and chief executive officer in January 1979. He had served as president and a director of The Great Atlantic & Pacific Tea Company and previously was executive vice president and a director of Jewel Companies, Inc.

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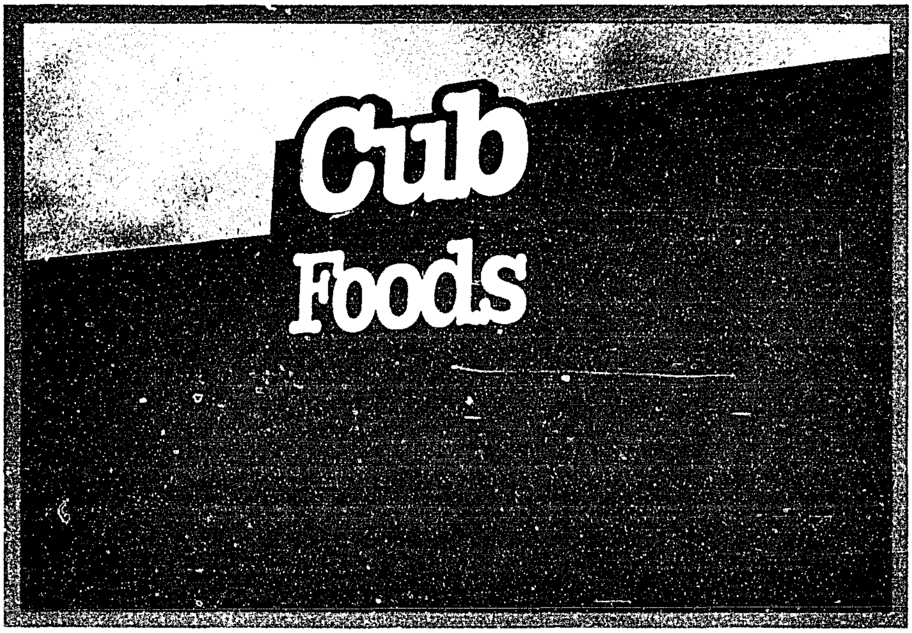
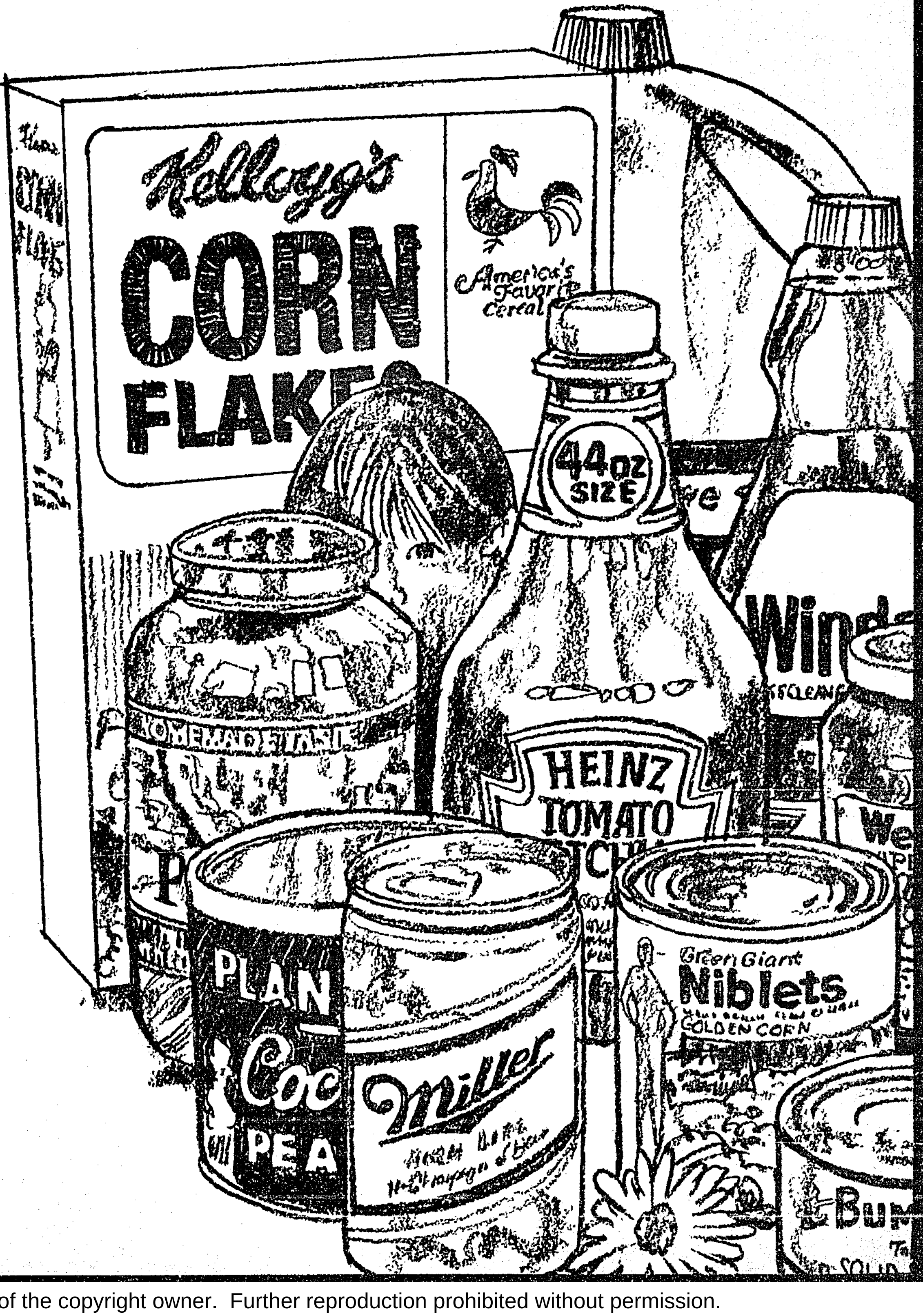
*"We look forward in the ensuing months to presenting to south Florida a new and unique supermarket. The CUB store, with its high volume, quality merchandise at low prices and maximum efficiency, makes it an excellent value for the customer."*



# Pantry Pride, Inc.
# Consolidated Financial Statements
## and 1983 Financial Review



# *Pantry Pride, Inc. and Subsidiaries*
# *Five Year Selected Financial Data*

| (dollars in thousands except per share data) | July 30, 1983 | July 31, 1982 (a) | August 1, 1981 (a) | August 2, 1980 (a) (b) | July 28, 1979 (a) |
|---|---|---|---|---|---|
| **Operating results** | | | | | |
| Sales | $ 941,635 | $ 930,163 | $1,191,926 | $1,085,739 | $1,454,932 |
| Gross profit | 217,203 | 203,900 | 255,200 | 224,247 | 266,600 |
| Selling, general and administrative expenses | 208,540 | 197,843 | 258,774 | 222,694 | 331,839 |
| Depreciation and amortization—owned property | 7,649 | 7,121 | 7,542 | 6,668 | 14,146 |
| Amortization of capital lease assets | 4,740 | 3,767 | 5,237 | 5,874 | 12,485 |
| Interest income (expense), net | 968 | 4,380 | 798 | (4,450) | (16,429) |
| Operating profit (loss) | 9,631 | 10,437 | (2,776) | (2,897) | (81,668) |
| Provision for income taxes | 8,403 | 9,131 | | 1,866 | |
| Earnings (loss) from continuing operations | 8,950 | 11,317 | (10,906) | 10,997 | (146,736) |
| Primary earnings (loss) per share from continuing operations | .35 | .59 | (1.43) | 1.49 | (19.94) |
| Earnings (loss) from discontinued operations | (2,659) | (4,002) | 292 | 2,735 | (58,780) |
| Extraordinary items | 7,249 | 8,174 | 162,588 | 8,841 | |
| Cumulative effect of accounting changes | | | (1,820) | | (5,563) |
| Net earnings (loss) | 13,540 | 15,489 | 150,154 | 22,573 | (211,079) |
| Primary earnings (loss) per share | .63 | 1.01 | 19.72 | 3.06 | (28,70) |
| Fully diluted earnings (loss) per share | .62 | .78 | 18.75 | 3.06 | (28.70) |
| **Financial position** | | | | | |
| Total assets | 244,081 | 225,674 | 223,169 | 365,982 | 389,731 |
| Working capital | 60,603 | 35,004 | 39,837 | 74,826 | 47,964 |
| Inventories | 66,282 | 69,403 | 66,194 | 79,196 | 85,602 |
| Property and equipment, net | 87,886 | 89,887 | 77,044 | 101,022 | 108,595 |
| Obligations under capital leases, net of current portion | 29,246 | 30,478 | 26,877 | 48,827 | 60,839 |
| Long-term debt | 22,055 | 36,100 | 49,296 | 8,723 | 12,771 |
| 8¾% convertible exchangeable subordinated debentures, due 1998 | 42,500 | | | | |
| Redeemable preferred stocks | | 37,436 | 32,611 | 1,619 | 1,619 |
| Current ratio | 1.78 | 1.42 | 1.48 | 2.25 | 1.54 |
| **Stockholders** | | | | | |
| Stockholders' equity (deficit) | 58,287 | 22,353 | 11,642 | (141,809) | (164,382) |
| Stockholders' equity (deficit) per share of common stock | 2.72 | 2.23 | 1.22 | (19.27) | (22.34) |
| Number of common shares issued | 21,450 | 10,009 | 9,556 | 7,358 | 7,358 |
| Common stock price range—high—low | 7¾—4¼ | 5⅞—2⅛ | 6—2¼ | 4¾—1⅜ | 5⅛—1 |

(a) Restated to reflect the discontinued Manufacturing operations.
(b) 53 weeks

See notes to consolidated financial statements.

## RESULTS OF OPERATIONS

### Fiscal 1983 Compared with Fiscal 1982

Sales for 1983 were $941.6 million compared to $930.2 million in 1982, a 1.2% increase. The increase was attributable to the net addition of 5 new stores in operation for all of 1983, which opened during 1982, and the start-up of exporting operations. Exporting was operational during fiscal 1983 and was terminated with the sale of the Miami distribution facility (see Note entitled "Subsequent Events" from Notes to Consolidated Financial Statements.) These increases were offset by the sales decrease in the Miami Region, resulting from adverse economic conditions that negatively impacted seasonal business in southern Florida in general. Although sales have decreased in the south Florida area, various programs have been instituted to maintain profitability, including store inventory shrinkage programs, energy conservation systems, expense control programs and the closing of 24 unprofitable south Florida stores in the first quarter of 1984.

Cost of sales, as a percentage of sales, was 76.9% for 1983 compared to 78.1% for 1982, a decrease of 1.2%. The decrease was the result of improved merchandising programs, adjustments in pricing policies and the reduction in store inventory shrinkage.

Selling, general and administrative expenses were 22.1% of sales in 1983 compared to 21.3% in 1982. The difference of .8% is due to increased labor costs associated with contract increases and additional staffing to provide improved customer service, higher occupancy expenses created by the amortization of costs associated with the Company's capital spending program and increased advertising and promotional costs expended to meet aggressive competition. The expenses for 1983 were offset, in part, by the decrease in utility costs as a result of recently installed energy conservation systems.

Net interest income of $1.0 million in 1983 compared to $4.4 million in 1982 reflects the reduction in prevailing interest rates, as well as a decrease in cash balances primarily due to the payment of $13.2 million to satisfy the requirements created by the Recapitalization and the two required Plan of Arrangement interim payments of approximately $5 million each.

Other income for 1983 of $7.7 million resulted primarily from the reduction of the provision for disposal of closed properties, gain on sales of properties closed during the normal course of business and the recovery of excess assets from terminated pension plans.

The loss of $2.7 million from discontinued operations (net of income tax effect of $2.6 million) resulted primarily from the decision made in 1983 to discontinue the Manufacturing operations. This was offset in part by the reduction, net of tax, of the provision established in 1982 for losses associated with the discontinuance of the Company's Footwear operations.

In 1983, extraordinary income of $1.3 million was recognized from a reduction in Plan of Arrangement debt liability as a result of better-than-anticipated claim settlements. Extraordinary income of $5.9 million was also recognized in 1983 from the utilization of net operating loss carryforwards.

### Fiscal 1982 Compared with Fiscal 1981

Sales for 1982 were $930.2 million compared to $1.2 billion for 1981. Excluding the sales of the Baltimore Region's stores closed in 1981, sales increased 6.1% in 1982. The sales increase was primarily due to increased customer traffic in existing stores and the net addition of seven stores.

Cost of sales was 78 1% of sales for 1982 compared to 78.6% in 1981. Excluding the Baltimore Region stores, cost of sales was 78.9% in 1981. The decrease from 1981 to 1982 was primarily attributable to the Company's ability to make advance purchases in order to take advantage of manufacturers' discounts, improvements in the Company's merchandising strategy and adjustments in pricing policies.

Selling, general and administrative expenses were 21.3% of sales in 1982 compared to 21.7% in 1981. Excluding the Baltimore Region stores, the expenses for 1981 were 20.6% of sales. The increase from 1981 to 1982 was attributable to increased labor costs predominantly due to wage increases and increased utility costs.

Net interest income was $4.4 million for 1982 compared to $.8 million in 1981, as a result of an increase in interest income due to a substantially greater amount of investments made at a higher rate of interest and a decrease in interest expense due to a reduction in interest-bearing debt. Interest income was adversely affected by the two required Plan of Arrangement interim payments of approximately $5 million each.

Other income for 1982 of $10.0 million resulted primarily from a favorable settlement of litigation with an insurance company, gains on sales of properties closed during the normal course of business, and the reduction of the provision for disposal of closed properties, offset in part by the expenses of the Baltimore union settlement.

The loss of $4.0 million from discontinued operations (net of income tax effect of $3.8 million) resulted primarily from the decision made in 1982 to discontinue the Footwear operations. Additionally, the results of Manufacturing operations (discontinued in 1983) for the year have been included, net of income tax.

In 1982, extraordinary income of $2.0 million was recognized from a reduction in Plan of Arrangement debt liability as a result of better-than-anticipated claim settlements. Extraordinary income of $6.2 million was also recognized in 1982 from the utilization of net operating loss carryfowards.

(a) For the effects of inflation on each year's financial statements see "Supplementary Information on Changing Prices" disclosure included in accordance with Financial Accounting Standards Board Statement No. 33, "Financial Reporting and Changing Prices."

**Fiscal 1981 Compared with Fiscal 1980**

Sales for 1981 were $1.2 billion compared to $1.1 billion for 1980. Excluding the sales of the Baltimore Region's stores closed in 1981, sales increased 18.3% in 1981. The sales increase from 1980 to 1981 was primarily attributable to a company-wide marketing strategy, which included a physical upgrade and image change to many stores and the implementation of a new merchandising and advertising theme along with price increases.

Cost of sales was 78.6% in 1981 compared to 79.3% in 1980. Excluding the Baltimore Region stores, cost of sales was 78.9% in 1981 and 80.2% in 1980. The decrease was largely due to the Company's continuing effort to take advantage of manufacturers' discounts.

Selling, general and administrative expenses were 21.7% of sales in 1981 compared to 20.5% in 1980. Excluding the Baltimore Region stores, the expenses for 1981 and 1980, as a percent of sales, were 20.6% and 19.2%, respectively. The increase in 1981 expenses, as a percent of sales, was due to the effects of the 53-week year in 1980 without a corresponding increase in fixed expenses and the additional costs associated with the Company's new advertising and marketing programs.

Net interest income for 1981 was $.8 million compared to $4.5 million of net interest expense in 1980. Fiscal 1981 results reflect increased interest income due to a substantially greater amount of investments made at substantially the same rates of interest as 1980 and a decrease in interest expense due to a reduction in interest-bearing debt.

Other expenses for 1981 of $8.1 million resulted from items related to bankruptcy costs net of related income, a reduction in the provisions for disposal of closed properties and a charge to earnings of $29.6 million to provide for losses on the closing of the Baltimore Region stores. These same items, excluding the Baltimore reserve and including other credits, amounted to other income of $15.8 million in 1980. Other credits for 1980 included interest on a tax refund, a reduction in the provision for disposal of closed properties and other items.

Extraordinary income of $162.6 million recognized in 1981 represented forgiveness of debt arising from the restructuring of the Company's debt in accordance with the Plan of Arrangement. In 1980, extraordinary income of $8.8 million was recognized from the utilization of net operating loss carryforwards.

**FINANCIAL CONDITION, LIQUIDITY AND CAPITAL RESOURCES**

The Company's liquidity and capital structure have significantly changed as a result of the confirmation of the Plan of Arrangement in July, 1981, the Plan of Recapitalization (the "Recapitalization") effected in January, 1983 and the 8¾% Convertible Exchangeable Subordinated Debentures (the "Debentures") issued in May, 1983.

In January 1983, the Company's stockholders approved the Recapitalization resulting in the exchange of all classes of preferred stock for approximately $13.2 million in cash and 11.4 million shares of common stock. The majority of the preferred stock had been issued to creditors as part of the Company's Plan of Arrangement, which had called for the redemption of the preferred stock through annual payments of at least $10 million, as well as the payment of dividends, beginning in July, 1985 and continuing for 16 years. In addition to eliminating the redemption payments, the Recapitalization eliminated the charge for the accretion of preferred stock, which was deducted from earnings applicable to common shareholders in the earnings per share calculation.

The major effects of the Recapitalization on the Company's financial position were to increase other current liabilities by $13.2 million, decrease redeemable preferred stock by $40.5 million and increase stockholders' equity by $25.5 million. As of July 30, 1983, $12.0 million of the $13.2 million liability had been paid to the preferred shareholders.

Working capital for 1983 increased primarily as a result of the issuance of the Debentures for $42.5 million, providing net proceeds totaling $40.9 million (see Note entitled "8¾% Convertible Exchangeable Subordinated Debentures, Due 1998" from Notes to Consolidated Financial Statements). These funds will be used for capital expenditures, including acquisitions, to expand the Company's business.

The Company has entered into an agreement and completed the sale of its Miami distribution facility and inventory to Super Valu Stores, Inc. Under the agreement, Super Valu also has an option to purchase the Company's Jacksonville distribution facility. These transactions will provide additional working capital which will be utilized for the expansion of the Company's business. The Company will continue to devote attention to working capital utilization programs such as an ongoing review of suppliers' terms, increasing inventory turns and negotiating the release of pledged collateral.

Expenditures for fixed assets and capital leases over the past four years have amounted to approximately $103 million. The Company's capital improvements were funded through operations, capitalized lease obligations and operating lease agreements. Capital improvement expenditures have been devoted primarily to the rehabilitation of existing facilities, the acquisition of new stores and the implementation of store scanning and energy conservation systems. The Company anticipates that funds required to support future capital improvements will continue to be provided from operations and leasing agreements. Additional funds will be provided from the proceeds of the Debenture offering and the sale of the Miami distribution facility.

The Company believes it now has, and will continue to have, adequate cash for normal operations. On September 27, 1983, a $15 million secured revolving credit agreement was replaced by two separate unsecured lines of credit aggregating the same amount. This facility can be used to finance working capital requirements for normal operating needs and is available at terms that are mutually agreeable between the Company, Chemical Bank and Southeast Bank N.A..

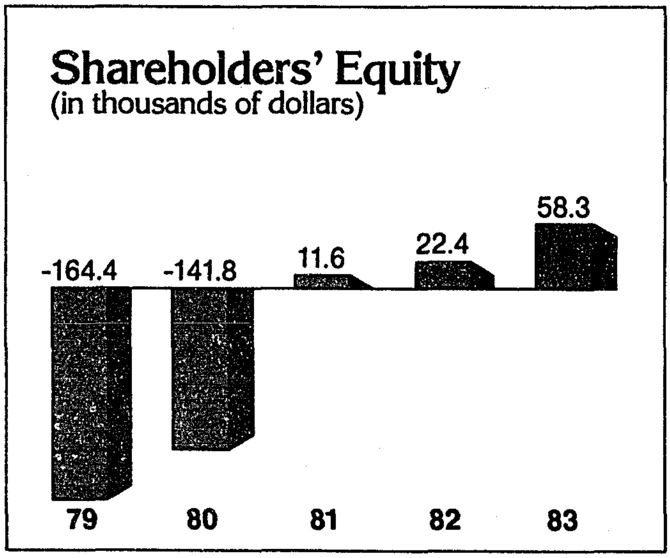
| (dollars in thousands except per share data) | 52 Weeks Ended July 30, 1983 | 52 Weeks Ended July 31, 1982 (a) | 52 Weeks Ended August 1, 1981 (a) |
|---|---|---|---|
| **Sales** | $ 941,635 | $ 930,163 | $1,191,926 |
| **Costs and expenses:** | | | |
| Cost of goods sold | 724,432 | 726,263 | 936,726 |
| Selling, general and administrative | 208,540 | 197,843 | 258,774 |
| Interest, net | (968) | (4,380) | (798) |
| | 932,004 | 919,726 | 1,194,702 |
| **Operating profit (loss)** | 9,631 | 10,437 | (2,776) |
| **Other income (expense)** | 7,722 | 10,011 | (8,130) |
| **Earnings (loss) from continuing operations before income taxes** | 17,353 | 20,448 | (10,906) |
| **Provision in lieu of income taxes** | (8,403) | (9,131) | |
| **Earnings (loss) from continuing operations** | 8,950 | 11,317 | (10,906) |
| **Discontinued operations:** | | | |
| Earnings (loss) from discontinued operations net of provision (benefit) in lieu of income taxes of $(251), $(1,101), and $-0- in 1983, 1982, and 1981, respectively | (262) | (1,146) | 292 |
| Provision for (loss) on disposition net of (benefit) in lieu of income taxes of $(2,303) and $(2,744) in 1983 and 1982, respectively | (2,397) | (2,856) | |
| | (2,659) | (4,002) | 292 |
| **Earnings (loss) before extraordinary items and cumulative effect of accounting change** | 6,291 | 7,315 | (10,614) |
| **Extraordinary items:** | | | |
| Utilization of net operating loss carryforward | 5,949 | 6,174 | |
| Debt reduction and restructuring | 1,300 | 2,000 | 162,588 |
| **Earnings before cumulative effect of accounting change** | 13,540 | 15,489 | 151,974 |
| **Cumulative effect of accounting change** | | | (1,820) |
| **Net earnings** | $ 13,540 | $ 15,489 | $ 150,154 |
| **Earnings (loss) per common and common equivalent share:** | | | |
| Continuing operations | $ .35 | $ 59 | $ (1.43) |
| Discontinued operations | (.16) | (.41) | .04 |
| Extraordinary items | .44 | .83 | 21.35 |
| Accounting change | | | (.24) |
| | $ .63 | $ 1.01 | $ 19.72 |
| **Earnings (loss) per common share fully diluted:** | | | |
| Continuing operations | $ .35 | $ .48 | $ (1.36) |
| Discontinued operations | (.15) | (.29) | .03 |
| Extraordinary items | .42 | .59 | 20.31 |
| Accounting change | | | (.23) |
| | $ .62 | $ .78 | $ 18.75 |

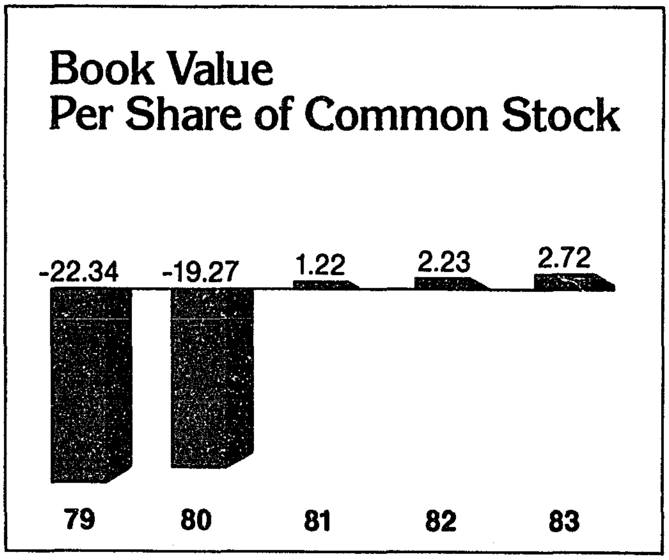
(a) Restated to reflect the discontinued Manufacturing operations.

See notes to consolidated financial statements.

| (dollars in thousands) | July 30, 1983 | July 31, 1982 |
|---|---|---|
| **Assets:** | | |
| **Current assets:** | | |
| Cash | $ 2,434 | $ 1,687 |
| Invested cash | 60,292 | 29,948 |
| Accounts receivable, net | 5,661 | 7,092 |
| Current portion of notes receivable | 885 | 7,909 |
| Inventories | 66,282 | 69,403 |
| Prepaid and other | 2,258 | 2,399 |
| Total current assets | 137,812 | 118,438 |
| **Property and equipment:** | | |
| Land | 6,465 | 7,125 |
| Buildings | 18,489 | 19,951 |
| Leasehold improvements | 21,083 | 19,862 |
| Fixtures and equipment | 53,574 | 57,764 |
| Leased assets under capital leases | 56,649 | 59,127 |
| | 156,260 | 163,829 |
| Less accumulated depreciation and amortization: | | |
| Owned property and equipment | 40,786 | 45,181 |
| Leased assets under capital leases | 27,588 | 28,761 |
| | 68,374 | 73,942 |
| Total property and equipment | 87,886 | 89,887 |
| **Other assets** | 18,383 | 17,349 |
| | $244,081 | $225,674 |

(Unaudited)

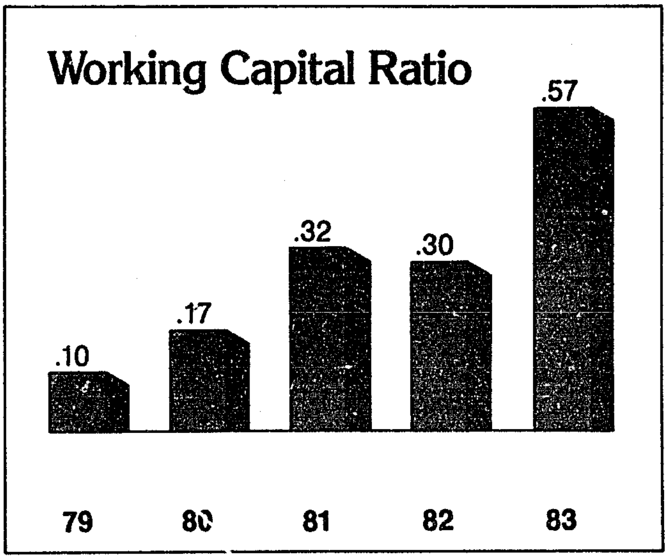


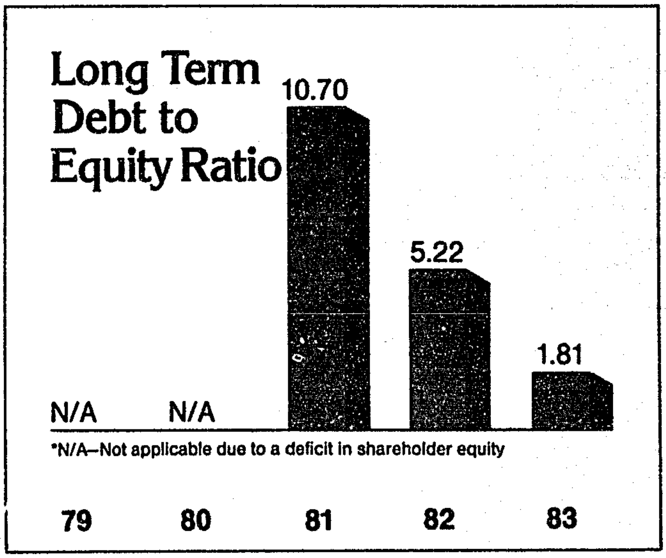




See notes to consolidated financial statements.

| (dollars in thousands) | July 30, 1983 | July 31, 1982 |
|---|---|---|
| **Liabilities, Redeemable Preferred Stocks, and Common Stockholders' Equity:** | | |
| **Current liabilities:** | | |
| Notes payable | $ | $ 500 |
| Accounts payable | 22,336 | 24,810 |
| Accrued salaries and expenses | 38,630 | 42,092 |
| Current portion of long-term debt | 11,546 | 11,530 |
| Current portion of capitalized lease obligations | 4,697 | 4,502 |
| Total current liabilities | 77,209 | 83,434 |
| **Long-term debt** | 22,055 | 36,100 |
| **Capitalized lease obligations** | 29,246 | 30,478 |
| **8¾% Convertible exchangeable subordinated debentures, due 1998** | 42,500 | |
| **Pension termination liability** | 10,055 | 11,078 |
| **Other liabilities** | 1,763 | 1,592 |
| **Deferred income** | 2,966 | 3,203 |
| **Commitments and contingencies** | | |
| **Redeemable Preferred Stocks** | | 37,436 |
| **Common Stockholders' Equity:** | | |
| Common stock, par value $0.01, 30,000,000 shares authorized, 21,449,970 shares issued in 1983, 10,008,663 shares in 1982 | 215 | 100 |
| Capital in excess of par | 78,159 | 55,880 |
| Deficit | (20,087) | (33,627) |
| Total common stockholders' equity | 58,287 | 22,353 |
| | $244,081 | $225,674 |

(Unaudited)




See notes to consolidated financial statements.

# *Pantry Pride, Inc. and Subsidiaries*
# *Consolidated Statement of Common Stockholders' Equity*

| (dollars in thousands) | Common Stock Par $0.01 | Capital in Excess of Par | Deficit |
|---|---|---|---|
| **Balance, August 2, 1980** | $ 76 | $57,385 | $(199,270) |
| Debt restructure | 20 | 3,277 | |
| Net earnings | | | 150,154 |
| **Balance, August 1, 1981** | 96 | 60,662 | (49,116) |
| Preferred stock conversions | 4 | 707 | |
| Preferred stock accretion | | (5,536) | |
| Stock options exercised | | 47 | |
| Net earnings | | | 15,489 |
| **Balance, July 31, 1982** | 100 | 55,880 | (33,627) |
| Recapitalization | 115 | 25,378 | |
| Preferred stock conversions | | 3 | |
| Preferred stock accretion | | (3,111) | |
| Stock options exercised | | 9 | |
| Net earnings | | | 13,540 |
| **Balance, July 30, 1983** | $ 215 | $78,159 | $ (20,087) |

See notes to consolidated financial statements.

| (dollars in thousands) | 52 Weeks Ended July 30, 1983 | 52 Weeks Ended July 31, 1982 (a) | 52 Weeks Ended August 1, 1981 (a) |
|---|---|---|---|
| **Source of Funds:** | | | |
| Operations: | | | |
| Earnings (loss) from continuing operations | $ 8,950 | $ 11,317 | $ (10,906) |
| Charges (credits) not affecting working capital: | | | |
| Depreciation and amortization | 12,389 | 10,888 | 12,779 |
| Provision for (reduction in) estimated loss on net assets held for disposition | (4,300) | (1,736) | 24,500 |
| Other | | (564) | |
| Funds from continuing operations | 17,039 | 19,905 | 26,373 |
| Funds from (used in) discontinued operations | (2,310) | 2,021 | 764 |
| Extraordinary items: | | | |
| Utilization of net operating loss carryforward | 5,949 | 6,174 | |
| Gain from debt reduction and restructuring | 1,300 | 2,000 | 162,588 |
| Cumulative effect of accounting change | | | (1,820) |
| Total funds provided from operations | 21,978 | 30,100 | 187,905 |
| Issuance of debentures | 42,500 | | |
| Future plan of arrangement payments | | | 49,485 |
| Preferred stock issued | | | 30,992 |
| Preferred stock accretion and conversions | 3,108 | 5,536 | |
| Increase in pension and other liabilities | | | 15,960 |
| Decrease in investments and other assets | 5,111 | | 105,646 |
| Decrease in net assets held for disposition | 47 | 7,012 | 8,738 |
| Sales of property and equipment, net | 1,695 | 744 | 4,095 |
| Increase in long-term borrowings | | 10,291 | 3,535 |
| Common stock issued | 25,502 | 47 | 3,297 |
| Decrease in working capital | | 4,833 | 34,989 |
| | $ 99,941 | $ 58,563 | $444,642 |
| **Application of Funds:** | | | |
| Preferred stock retired | $ 40,544 | $ | $ |
| Purchase of property and equipment | 14,324 | 27,217 | 24,476 |
| Reduction in capitalized lease obligations | 1,232 | 6,304 | 21,950 |
| Reduction of long-term debt | 14,045 | 13,582 | 12,447 |
| Decrease in capital in excess of par | 3,108 | 5,536 | |
| Increase in investments and other assets | | 3,639 | |
| Reduction in liabilities deferred pursuant to proceedings under Chapter XI | | | 385,769 |
| Decrease in pension and other liabilities | 1,089 | 2,285 | |
| Increase in working capital | 25,599 | | |
| | $ 99,941 | $ 58,563 | $444,642 |

(a) Restated to reflect the discontinued Manufacturing operations.

See notes to consolidated financial statements.

## SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

### Fiscal Year
The Company's fiscal year ends on the Saturday nearest to July 31.

### Principles of Consolidation
The consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries. All material intercompany accounts and transactions have been eliminated.

### Debt Restructuring
In compliance with the Financial Accounting Standards Board Statement No. 15, "Accounting by Debtors and Creditors for Troubled Debt Restructurings," the Company accounted for the restructuring in 1981 as follows: (a) the gain from debt restructuring was classified as an extraordinary item, (b) the continuing long-term liability was established at face amount and was non interest-bearing and (c) the preferred stock was valued at estimated fair value at date of issue and was being accreted to its liquidating value over nineteen years.

### Inventories
Inventories are stated at the lower of cost or market, with cost being determined as follows: inventories in stores, principally the retail inventory method; inventories in warehouses, principally average cost.

### Property and Equipment
Property and equipment is recorded at cost or, in the case of capitalized leases, at the present value of the future lease payments. Depreciation and amortization are computed by the straight-line method over the estimated useful lives of the assets, and in the case of leasehold improvements, the shorter of the term of the lease or the estimated useful life of the improvements.

### Accounts Receivable
Accounts receivable are stated net of allowance for doubtful accounts of $1,165 and $2,012 in 1983 and 1982, respectively.

### Self-Insurance
The Company is self-insured for workers compensation, automobile and general liability, and health and dental costs. The estimated self-insurance liability is based upon a review by the Company and an independent insurance broker of claims filed and for claims incurred but not reported.

### Store Closing Expense
Losses resulting from store closings are provided for in the period when the decision is made to close the store, along with estimated losses on related asset dispositions.

### Retirement Plans
Pension expense charged to operations includes normal cost and amortization of prior service costs over a 40-year period. Pension costs are funded as accrued, except that a waiver from the Internal Revenue Service had been obtained whereby 1978 costs of certain pension plans are being funded over a 15-year period.

### Deferred Income
Deferred income represents the unrecognized gains resulting from the renegotiation of certain lease obligations which are amortized over the terms of the renegotiated leases.

## TERMINATION OF CHAPTER XI PROCEEDINGS

On July 6, 1981, the Bankruptcy Court confirmed the Company's Amended Consolidated Plan of Arrangement, dated December 15, 1980, as modified, (the "Plan"), and the Company was discharged from its Chapter XI proceedings. As an integral part of the Plan, Pantry Pride Enterprises, Inc. (formerly Food Fair, Inc.) merged with a subsidiary of Pantry Pride, Inc. The restructure of pre-Chapter XI liabilities was accomplished on the same date. This restructuring converted a significant amount of pre-Chapter XI debt to redeemable preferred stocks and common stock, resulted in approximately $162,600 in debt forgiveness, which was classified as an extraordinary item, and returned the Company to a positive net worth. In 1983 and 1982, $1,300 and $2,000, respectively, was recognized due to better-than-anticipated claim settlements.

## PLAN OF ARRANGEMENT

The Company is obligated to make cash payments amounting to $10,000 annually (in semi-annual installments of $5,000) to the holders of Class 1, Class 2 and Class 3 claims through January 15, 1985. In addition, on January 15, 1985, the Company must make a payment of approximately $10,000 such that the holders of Class 1 and Class 2 claims will have been paid 45% of their claims, and holders of Class 3 claims will have been paid 5%. (See Note entitled "Long-Term Debt.")

In addition to the above $10,000 annual payment, certain contingent payments may be necessary to the extent "Excess Cash Flow" exists. Excess Cash Flow, a term defined by the Plan, is essentially the Company's funds derived from operations and other sources in excess of those committed to its Capital Improvements Program, payments under the Plan and 3% of sales, which is defined in the Plan as the operating cash requirement of the Company. There was no Excess Cash Flow in 1983 or 1982.

(dollars in thousands except per share data)

The Plan contains covenants continuing until the payments referred to above are completed which, among other matters, (i) require the Company to maintain specified levels of consolidated tangible net worth; (ii) forbid borrowed indebtedness secured by certain inventories; (iii) prohibit the payment of cash dividends to shareholders; and (iv) limit the extent to which the Company may acquire or dispose of specified assets.

## RECAPITALIZATION

On January 19, 1983, the stockholders approved a Plan of Recapitalization (the "Recapitalization") designed to simplify the capital structure of the parent company and to eliminate certain provisions arising from the Chapter XI Plan of Arrangement and other ancillary agreements. The Recapitalization was accomplished through a merger of the parent company into New Pantry Pride, Inc., which was a wholly-owned subsidiary, and provided for the exchange of all of the parent company's preferred stock for approximately $13,200 in cash and 11.4 million shares of New Pantry Pride common stock, and the exchange of all of the parent company's common stock on a share-for-share basis for New Pantry Pride common stock. On January 20, 1983, simultaneous with the effectiveness of the merger, New Pantry Pride changed its name to Pantry Pride, Inc.

The immediate impacts of the Recapitalization on the financial statements were to retire approximately $40,500 of preferred stock, increase stockholders' equity by $25,500, and require cash payments and create future liabilities of approximately $15,000.

## LEASES

All non-cancellable leases with an initial term greater than one year have been categorized as capital or operating leases in conformity with the definitions in Financial Accounting Standards Board Statement No. 13, "Accounting for Leases."

The following analysis represents property under capital leases:

| | 1983 | 1982 |
|---|---|---|
| Buildings | $37,909 | $39,738 |
| Equipment | 18,740 | 19,389 |
| | 56,649 | 59,127 |
| Less accumulated amortization | 27,588 | 28,761 |
| | $29,061 | $30,366 |

At July 30, 1983, the Company is liable under terms of non-cancellable leases for the following minimum lease commitments:

| | Capital Leases | Operating Leases |
|---|---|---|
| Year ending in: | | |
| 1984 | $ 8,198 | $ 5,783 |
| 1985 | 7,507 | 5,157 |
| 1986 | 6,828 | 4,439 |
| 1987 | 5,964 | 3,548 |
| 1988 | 4,122 | 2,377 |
| Later years | 20,072 | 17,335 |
| Total minimum lease payments | 52,691 | $38,639 |
| Less interest | 18,748 | |
| Present value of net minimum lease payments | $33,943 | |

Rent expense under all operating leases having non-cancellable terms of more than one year is summarized as follows:

| | 1983 | 1982 | 1981 |
|---|---|---|---|
| Minimum rentals | $7,429 | $5,867 | $7,000 |
| Contingent rentals | 407 | 499 | 640 |
| | $7,836 | $6,366 | $7,640 |

Equipment leases are generally operating leases for data processing equipment, transportation equipment and store fixtures and equipment. Supermarket leases are generally capital leases with initial terms of up to 25 years, usually with several five year renewal options.

## NOTES PAYABLE

On September 27, 1983, a $15,000 unsecured line of credit replaced a secured revolving credit agreement for the same amount which had provided a working capital line of credit. The negotiated rate for these lines of credit is ¼ of 1 percent above the prime commercial loan rate. This new facility can be used to finance working capital requirements for normal operating needs and is available at terms that are mutually agreeable between the Company, Chemical Bank and Southeast Bank N.A. As of July 30, 1983, no portion of the previous working capital line of credit was outstanding.

## ACCRUED SALARIES AND EXPENSES

| | 1983 | 1982 |
|---|---|---|
| Salaries and related benefits | $13,267 | $13,656 |
| Self-insurance | 7,689 | 9,202 |
| Other | 17,674 | 19,234 |
| | $38,630 | $42,092 |

(dollars in thousands except per share data)

**LONG-TERM DEBT**

| | 1983 | 1982 |
|---|---|---|
| Plan of Arrangement debt, non interest-bearing, maturing through 1985 | $24,829 | $36,501 |
| Mortgage loans, 5.0% to 15.0% (weighted average of 9.9% in 1983 and 9.4% in 1982), maturing annually at varying amounts through 2001 | 7,664 | 10,250 |
| Other | 1,108 | 879 |
| | 33,601 | 47,630 |
| Less current portion | 11,546 | 11,530 |
| | $22,055 | $36,100 |

The aggregate annual maturities of long-term debt for the five years subsequent to July 30, 1983 are $11,546, $16,854, $873, $568, and $393. The mortgage notes are secured by substantially all owned land and buildings.

**8¾% CONVERTIBLE EXCHANGEABLE SUBORDINATED DEBENTURES, DUE 1998**

The Company has issued $42,500 principal amount of 8¾% Convertible Exchangeable Subordinated Debentures (the "Debentures") due May 15, 1998. Interest is payable on May 15 and November 15, commencing November 15, 1983. The Debentures are convertible into shares of the Company's Common Stock at $6.25 per share, subject to adjustment under certain conditions. The Debentures are redeemable, in whole or in part, at the Company's option at prices declining from 108.75% of principal amount to 100% on and after May 15, 1993, together with accrued interest. However, the Debentures are not redeemable prior to May 15, 1985 unless the closing price of the Company's Common Stock shall have equaled or exceeded 150% of the then effective conversion price per share for at least 30 consecutive trading days ending within five days prior to notice of redemption. Mandatory annual sinking fund payments sufficient to retire $4,250 principal amount of Debentures, commencing May 15, 1990, are calculated to retire 80% of the issue prior to maturity. The Debentures are subordinated to all Senior Indebtedness of Pantry Pride, Inc., and its subsidiaries, outstanding as of May 15, 1983. The Debentures are exchangeable, subject to certain conditions, in whole at the option of the Company at any time on or before January 15, 1986 for up to 1,700,000 shares of $2.375 Cumulative Convertible Preferred Stock of the Company (if authorized) at the rate of 40 shares of Preferred Stock for each $1,000 principal amount of Debentures.

**CONTINGENCIES**

As a result of store closings in the Philadelphia area, the Company's contributions to three Taft-Hartley multi-employer pension plans, jointly administered by industry and union representatives, declined materially. However, the Company does not believe that it "withdrew" from such plans as a result of such closings, and, as to two of such plans, the Pension Benefit Guaranty Corporation has taken the position that the contingent liability and bonding provisions of the Employee Retirement Income Security Act ("ERISA") do not apply. The trustees of such three plans, however, filed common law contract claims in the Chapter XI proceedings (not based upon any specified provision of ERISA) aggregating approximately $56,000. The Bankruptcy Court granted the Company's motions for summary judgment as to all three claims. Each of such claimants applied to the U.S. District Court for the Southern District of N.Y.; one such claim for approximately $32,000 was settled by the Company for $150 after the District Court sustained the Bankruptcy Court's ruling. Appeals as to the other two claims aggregating approximately $24,000 are still pending. Counsel to the Company has advised that, based upon various factors, they believe that the Company would successfully sustain its position as to both claims upon appeal.

In December 1982, Pantry Pride Enterprises received a claim by the Retail Clerks Tri-State Pension Fund (the "Fund"), a multi-employer pension fund, for approximately $21,000, plus interest, payable in monthly installments of approximately $326 over an eighty-month period. The claim is based upon the purported "withdrawal liability" incurred by Pantry Pride Enterprises upon its withdrawal from the Fund as a result of the closing of five supermarkets located in Delaware in accordance with the Company's termination of its Baltimore Region supermarket operations in July 1981. In addition to employees of unrelated companies, the Fund encompasses former employees of the Company's 101 Philadelphia and New Jersey supermarket operations which were closed in January 1979, as well as those of the Delaware supermarkets.

At the time of the closing of its Baltimore Region operations in 1981, the Company established reserves to cover the estimated costs and expenses arising therefrom or related thereto. With respect to the five Delaware supermarkets participating in the Fund, the Company, after consultation with its independent actuaries, established a withdrawal liability reserve in an amount substantially lower than that of the Fund's claim, which reserve was charged against the Company's fiscal 1981 earnings. Management of the Company believes that the reserve was, when established, and still is, adequate. On January 28, 1983, the Company initiated litigation against the Fund, its individual trustees, and the plan administrator in the United States District Court for the Eastern District of Pennsylvania (the "Court") requesting a temporary and permanent injunction against enforcement of the Fund's claim. In addition, the suit challenges the constitutionality of the Multi-Employer Pension Plan Amendments Act of 1980 ("MPPAA") and further alleges that the actions of the Fund in seeking to collect the liability set forth in the claim violate certain provisions of MPPAA, common law and federal anti-trust laws. The litigation is in the preliminary procedural stages in which the defendants have sought dismissal on grounds that the Company's claim must be arbitrated, and the Company has cross-moved for partial summary judgment on the basis of certain statutory provisions.

(dollars in thousands except per share data)

At a hearing on April 12, 1983, the Court declined to grant the Fund's motion to compel interim payments of $326 per month, and instead stated that it would require the Company to make interim payments of $15 per month to the Fund. In accordance with the Court's directive, the Company has commenced making such interim payments for the period which began January 1, 1983. The Fund has indicated that it will appeal the Court's decision. The Court has also ordered that there shall be no acceleration of any liability which the Company might ultimately be found to have, pending further order of the Court, and has stayed arbitration pending resolution of the Company's constitutional challenge to MPPAA.

Counsel has advised that, on the basis of the information currently available, the Company has substantial and meritorious defenses to the Fund's claim providing a sufficient basis for a determination that the Company's liability to the Fund does not exceed the withdrawal liability reserve for the Fund's claim. However, there can be no assurance as to the ultimate outcome of this matter.

If a final adverse adjudication in the full amount of the Fund's claim were entered, it would have a material adverse effect upon the financial condition of the Company. Such an adverse final judgment would result in additional charges which could place the Company in breach of the "tangible net worth" test under the Company's Plan of Arrangement covenants. If unremedied, such a breach would constitute an "Event of Default" under the Plan of Arrangement and could result in acceleration of all the Company's liabilities to holders of claims thereunder. If an Event of Default did occur, the Company would immediately seek appropriate waivers from holders of claims in accordance with the provisions of the Plan of Arrangement. While there can be no assurance that such waivers could be obtained, it should be noted that the final payments under the Plan will be due on or before January 15, 1985.

The Company, together with numerous other retail food companies, has been named as defendant in multiple civil actions by certain cattle producers and feeders alleging violations of the anti-trust laws in connection with the purchase and resale of beef. Based upon discovery conducted, the Company and certain other defendants filed motions for summary judgment against all plaintiffs, which motions were granted by the U.S. District Court. In July 1983, the Fifth Circuit Court of Appeals affirmed the dismissal. While the plaintiffs may still timely petition the U.S. Supreme Court for certiorari in this matter until late in December 1983, management believes that no basis exists for the allegation and, after consultation with counsel, is of the opinion that these actions will not have a material adverse effect on the financial condition or results of operations of the Company.

## PREFERRED STOCKS

As a result of the Plan of Arrangement, the following redeemable preferred stocks were issued. Due to the Recapitalization effective on January 20, 1983, all outstanding preferred shares were exchanged for approximately $13,200 in cash and 11.4 million shares of common stock. All payment requirements for dividends or retirement of the redeemable preferred stocks, and the accretion charge to capital in excess of par, ceased as of the date of the Recapitalization (See Note entitled "Recapitalization").

| | July 31, 1982 |
|---|---|
| Series A Liquidating Preferred, authorized 4,380,000 shares; $1.00 par value; issued 3,997,740 shares | $15,945 |
| Series B Liquidating Preferred, authorized 4,700,000 shares; $1.00 par value; issued 4,462,260 shares | 9,840 |
| Series C Liquidating Preferred, authorized 540,000 shares; $1.00 par value; issued 540,000 shares | 1,528 |
| Class A $1.00 Cumulative Convertible Preferred; $0.40 par value; authorized 5,100,000 shares; issued 4,021,734 shares | 6,752 |
| Class B $0.686 Cumulative Preferred; $0.40 par value; authorized 2,100,000 shares; issued 1,973,928 shares | 1,752 |
| Total Redeemable Preferred Stock | 35,817 |
| 1951 Series $4.20 Cumulative Preferred; $1.00 par value; 16,190 shares authorized and issued | 1,619 |
| | $37,436 |

The difference between the liquidation value of $149,955 and the stated value of $35,817 of the above issues was being accreted over a 19-year period by charges to retained earnings to the extent there were retained earnings and then to capital in excess of par.

Cash payments, estimated to have started July 15, 1985, were to have been made by the Company for the retirement of and dividends on the above Preferred Stocks. Such payments would have amounted to $10,000 annually for a 16-year period.

(dollars in thousands except per share data)

## STOCK OPTIONS

The Company has a stock option plan in which various officers and key employees may be granted non-transferable options at prices equal to the fair market value on the dates of grant. The Plan provides that no option may be exercised prior to six months after the date of grant. Six months after the date of grant an option becomes exercisable as to 25 percent and thereafter on each anniversary of the date of grant becomes cumulatively exercisable as to an additional 25 percent.

Transactions under the Plan for the three years ended July 30, 1983 follow:

| | Stock Options | | |
|---|---|---|---|
| | 1983 | 1982 | 1981 |
| Balance, beginning of year | 129,375 | 147,500 | 132,500 |
| Granted: | | | |
| $3.50 to $5.125 per share | 3,000 | 55,000 | 27,500 |
| Exercised: | | | |
| $3.69 to $4.44 per share | (2,500) | (11,250) | |
| Cancelled | (8,875) | (61,875) | (12,500) |
| Balance, end of year | 121,000 | 129,375 | 147,500 |

On January 19, 1983, the stockholders approved an amendment increasing the number of shares of common stock available for the Company's stock option plan to 500,000 from 150,000.

At July 30, 1983, there were options exercisable covering 91,375 shares at prices ranging from $3.50 to $5.125 per share compared to options exercisable covering 63,750 shares at prices ranging from $3.50 to $4.44 at July 31, 1982. The options outstanding at July 30, 1983 range in expiration dates from April 10, 1989 to August 9, 1992 and have an average exercise price of $4.41 per share. As of July 30, 1983, an additional 365,250 shares were available for granting of options.

In addition to the above Plan, on January 4, 1979, the Company granted its Chairman of the Board and Chief Executive Officer a non-transferable option to acquire up to 200,000 shares of its common stock at $2.00 per share exercisable on or before January 2, 1984. As of July 30, 1983, no part of this option was exercised.

## OTHER INCOME/(EXPENSES)

| | 1983 | 1982 | 1981 |
|---|---|---|---|
| Reduction in reserve for other net assets held for disposition | $ 4,300 | $ 1,500 | $ 5,100 |
| Recovery of excess assets from terminated pension plans | 1,050 | | |
| Interest on tax refund | 200 | 300 | |
| Gain on sale of property, net | 2,034 | 2,661 | 3,604 |
| Other | 138 | | |
| Provision for losses on Baltimore Region | | 236 | (14,200) |
| Baltimore pension termination liability | | 564 | (15,400) |
| Bankruptcy related items: | | | |
| Administration costs | | | (2,301) |
| Interest income | | | 15,067 |
| Litigation settlements | | 4,750 | |
| | $ 7,722 | $10,011 | $ (8,130) |

Since 1979 management has periodically reviewed the incurred and estimated carrying and selling costs, and losses originally expected to be incurred, in connection with the sale or liquidation of the assets of supermarket operations in the New York, Connecticut, New Jersey, Pennsylvania and Tampa, Florida areas. As a result, it became evident that the allowances as originally estimated exceeded the amounts necessary to adequately provide for estimated losses. Accordingly, these allowances were reduced by approximately $4,300, $1,500 and $5,100 in 1983, 1982 and 1981, respectively.

During 1983, the Company received the assets that accumulated in two separate pension plans in excess of final plan payoffs. $600 was received from the Hills Supermarkets pension plan, and $450 was provided by the J. M. Fields plan.

In July 1981, the Company decided to terminate its supermarket operations in its Baltimore Region. This involved the closing of 54 supermarkets, a distribution facility and regional offices. The provision for losses in 1981 on the Baltimore Region represented the estimated excess of recorded and future costs over proceeds through the end of the disposition program. During 1982, management reviewed the provision, and it was ascertained that the original provision over-provided for estimated losses. Accordingly, this allowance was reduced.

(dollars in thousands except per share data)

The consolidated statement of operations for the year ended in 1981 contains the results of operations of the Baltimore Region stores to the termination date. The table below summarizes these operations:

| | 1981 |
|---|---|
| Sales | $316,598 |
| Costs and expenses: | |
| Cost of sales | 245,080 |
| Operating and administrative | 79,052 |
| Allocation of interest income, net | (1,229) |
| | 322,903 |
| Operating loss | $ 6,305 |

During 1981, a liability was established to provide for the Company's withdrawal from certain union-sponsored pension plans in the closed Baltimore region. During 1982, it was ascertained that the Company had over-provided for certain plans. Accordingly, the provision was reduced.

Bankruptcy related administrative costs in 1981 included principally professional fees, wages and other expenses incurred as a result of the Chapter XI proceedings or processing of creditors' claims. Interest income arose from the investment of restricted cash, which was utilized to fund a portion of the Plan of Arrangement.

During 1982, suits entitled *Stonewall Insurance Company v. Food Fair Stores, Inc.* and *Stonewall Insurance Company v. Food Fair, et al,* were settled resulting in the Company receiving $7,750 in fiscal 1983. The Plaintiff sought to have amounts due Pantry Pride, Inc. under various insurance policies which Stonewall had issued covering Pantry Pride, Inc. and several of its subsidiary and affiliated companies, between 1972 and 1976, declared invalid, plus compensatory and punitive damages. Pantry Pride, Inc. had filed a cross-complaint asking to be reimbursed for amounts due, approximating $9 million, under the various insurance policies.

Netted against the income from the settlement of the Stonewall matter is a charge of $3,000, including legal fees of $300, representing the settlement of a suit entitled *Local 692, United Food and Commercial Workers Union, AFL-CIO, et al v. Pantry Pride, Inc.*, which asserted that the Company violated the terms of purported amendments to collective bargaining agreements by discontinuing its supermarket, warehouse and trucking operations in its Baltimore Region in mid-August, 1981.

## INCOME TAXES

The provision for income taxes in 1983 and 1982 appears in the following table. There was no provision in 1981, as the gain from debt restructuring was not taxable.

| | 1983 | 1982 |
|---|---|---|
| Refund on taxes provided in prior years | $ | $ (288) |
| Provision in lieu of income taxes | 8,403 | 9,419 |
| | $8,403 | $9,131 |

A reconciliation of the 1983 and 1982 income tax expense with taxes computed at the statutory federal income tax rate of 46% is as follows:

| | 1983 | | 1982 | |
|---|---|---|---|---|
| | % | Amount | % | Amount |
| Taxes computed at statutory rate | 46.0 | $7,982 | 46.0 | $9,406 |
| State income taxes, net of federal tax effect | 3.0 | 521 | 3.0 | 613 |
| Federal income tax refunds | | | (1.4) | (288) |
| Sale of tax benefits | (.6) | (100) | (3.0) | (600) |
| | 48.4 | $8,403 | 44.6 | $9,131 |

The 1983 and 1982 provision in lieu of income taxes represents the equivalent amount which would be required in the absence of the available operating loss carryforwards. The Company has recognized a tax benefit of $5,949 in 1983 ($8,503 from continuing operations, less $2,554 from discontinued operations) and $6,174 in 1982 ($10,019 from continuing operations, less $3,845 from discontinued operations) resulting from the utilization of net operating loss carryforwards as a reduction of taxable income. This benefit has been recorded as an extraordinary item.

The Company and its subsidiaries file a consolidated federal income tax return. At July 30, 1983, the Company and its subsidiaries have available, to reduce future, taxable income, a net operating loss carryforward approximating $318,000 (subject to certain interpretations and restrictive provisions of the Internal Revenue Code) which expires as follows: $9,000 in 1989; $12,000 in 1990; $4,000 in 1991; $126,000 in 1994; $150,000 in 1996; $13,000 in 1997; and $4,000 in 1998. The net operating losses expiring in the years 1989 through 1991 are carried forward from taxable years which have been audited by the Internal Revenue Service; subsequent losses are in taxable years which have not been examined by the Internal Revenue Service. In addition to the net operating loss carryforward, $50,000 has been expensed in the financial statements which is not currently deductible for tax purposes, but is expected to be available to reduce future taxable income.

Investment tax credits of approximately $8,600 are available at July 30, 1983 (subject to certain restrictive provisions of the Internal Revenue Code) for use in federal income tax returns. These investment tax credits expire in varying amounts annually from 1989 through 1998.

(dollars in thousands except per share data)

**DISCONTINUED OPERATIONS**

In July 1983, the Company approved a plan to discontinue the operation of its unprofitable Manufacturing Group, which includes food manufacturing and processing facilities for coffee roasting, soft drink bottling and tea and powdered drink mix packaging. In addition to supplying the Company, Manufacturing also supplied outside parties. Such external sales amounted to $15,623, $15,620 and $18,048 in 1983, 1982 and 1981, respectively. The plan provides for a gradual phase-out of operations and subsequent sale of the Group's assets. Net assets of the Group consist primarily of accounts receivable, inventory, land, building, and processing equipment. A $5,000 provision was established for projected operating losses through the phase-out period and for potential losses on disposition of the Group's assets.

In May 1982, the Company approved a plan to discontinue operation of its unprofitable Footwear operations. Footwear, in addition to supplying the Company, also supplied outside parties. Such outside sales amounted to $8,513 and $15,289 in 1982 and 1981, respectively. A $5,600 provision was established for projected losses associated with the discontinuance and was reduced by $300 in 1983 when substantially all the assets were liquidated.

**ACCOUNTING CHANGE**

In 1981, as a result of the Financial Accounting Standards Board issuance of Statement No. 43 "Accounting for Compensated Absences," the Company changed its method of accounting for vacation pay to comply with the statement. Prior to 1981, the Company had accrued vacation pay as earned for only a portion of its employees; as to all other employees, vacation expense was recognized in the year paid. The effect of the change for 1981 was to decrease net earnings by $272 or $0.04 per share. The adjustment of $1,820 to apply retroactively the new method is included in the determination of earnings for 1981.

**EARNINGS PER SHARE**

Earnings per common and common equivalent share are computed by dividing net earnings, less accretion, by the weighted average number of common and common equivalent shares outstanding. Certain options granted under the Company's employee stock option plan are considered common stock equivalents.

Earnings per common share, fully diluted, are computed in the same manner as earnings per common and common equivalent shares, plus the weighted average effect of the assumed conversion of the 8¾% Convertible Subordinated Debentures issued in May 1983 and the assumed conversion of the Class A Cumulative Convertible Preferred Stock. The weighted average effect of the assumed conversion of the Class A Cumulative Convertible Preferred Stock was included only in the 1982 calculations and the first quarter of 1983 due to its retirement during the second quarter of fiscal 1983, as a result of the Recapitalization on January 20, 1983.

Supplementary earnings per share, assuming the Recapitalization took place at the beginning of the earliest period presented, has been computed based on the actual number of shares outstanding after the Recapitalization, plus contingent shares issuable at a future date in accordance with the Plan of Arrangement. Under these assumptions, earnings per share would have been $.60, $.69 and $6.70 for the fiscal years ended 1983, 1982 and 1981, respectively.

The 1983 per share calculations are reduced by $.19 per share primary and $.17 per share fully diluted for charges to capital in excess of par for accretion of preferred stock. Per share calculations for 1982 are also reduced by $0.56 per share primary and $0.34 per share fully diluted for charges to capital in excess of par for accretion of preferred stock.

**PENSION PLANS**

The Company and its subsidiaries maintain various noncontributory single-employer pension plans covering certain hourly and salaried employees. Most other full-time and certain part-time employees are covered by multi-employer plans jointly administered by unions and Company representatives. Accumulated plan benefit information, as estimated by consulting actuaries, and plan net assets for the single-employer plans are:

| | January 1, 1982 | January 1, 1981 |
|---|---|---|
| Actuarial present value of accumulated plan benefits: | | |
| Vested | $26,989 | $25,522 |
| Non-vested | 833 | 757 |
| | $27,822 | $26,279 |
| Net assets available for benefits | $16,857 | $16,586 |

The assumed rate of return used in determining the actuarial present value of accumulated plan benefits was 7%.

Pension expense for all pension plans for 1983, 1982 and 1981 was $3,540, $3,258 and $6,469, respectively, exclusive of $15,400 termination liability in 1981 (See Note entitled "Other Income/Expenses") associated with the closing of the Company's Baltimore Region. Required payments from the year 1984 through 1988 associated with such closing are currently estimated at $3,496, $3,236, $1,404, $1,249 and $1,149, respectively.

(dollars in thousands except per share data)

## WORKING CAPITAL CHANGES

| | 1983 | 1982 | 1981 |
|---|---|---|---|
| Cash | $ 747 | $ 612 | $(14,548) |
| Invested Cash | 30,344 | (15,366) | 29,639 |
| Accounts and notes receivable, net | (8,455) | 6,705 | (5,389) |
| Refundable income taxes | | | (6,875) |
| Inventories | (3,121) | 3,209 | (13,002) |
| Prepaid and other | (141) | (343) | (884) |
| Notes payable | 500 | 500 | (1,000) |
| Accounts payable | 2,474 | (153) | (1,448) |
| Accrued salaries and expenses | 3,462 | (2,956) | (13,415) |
| Current portions of long-term debt and capitalized lease obligations | (211) | 2,959 | (8,067) |
| Increase (decrease) | $25,599 | $ (4,833) | $(34,989) |

## SUBSEQUENT EVENTS

On August 5, 1983, the Company entered into an agreement with Super Valu Stores, Inc. to sell its distribution facility and inventory in Miami, Florida and granted Super Valu an option to purchase its distribution facility and inventory in Jacksonville, Florida. Under the agreement, Super Valu will create a wholesale grocery division at the Miami distribution facility, which will supply groceries and other food products to the Company's Miami region stores, as well as independent stores.

The closing of the Miami sale involving land, building, equipment and inventory valued for book purposes at approximately $15,000, occurred on October 1, 1983. The gain on the sale will be reflected in the financial statements for the first quarter of fiscal 1984.

As a part of its asset redeployment program, effected as a result of the Super Valu agreement, the Company announced, on August 25, 1983, that it would close 24 stores located in the Miami region. The stores were closed due to their eroding sales base and failure to meet minimum profit goals over the last few years. The provision for closedown costs will be reflected in the financial statements for the first quarter of fiscal 1984 and, along with the gain on the sale of the Miami distribution facility to Super Valu, should not have a material impact on the financial statements.

## *Accountants' Report*

**BOARD OF DIRECTORS AND STOCKHOLDERS**
**PANTRY PRIDE, INC.**
**FORT LAUDERDALE, FLORIDA**

We have examined the consolidated balance sheets of Pantry Pride, Inc. and its subsidiaries as of July 30, 1983 and July 31, 1982, and the related consolidated statements of earnings, common stockholders' equity and changes in financial position for each of the three years in the period ended July 30, 1983. Our examinations were made in accordance with generally accepted auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the consolidated financial statements referred to above present fairly the financial position of Pantry Pride, Inc. and subsidiaries at July 30, 1983 and July 31, 1982, and the results of their operations and changes in their financial position for each of the three years in the period ended July 30, 1983, in conformity with generally accepted accounting principles consistently applied during the period subsequent to the change, with which we concur, made as of August 3, 1980, in the method of accounting for employee vacation pay.

Miami, Florida
October 3, 1983

**Touche Ross & Co.**
**Certified Public Accountants**



## *Management's Report*

The management of Pantry Pride, Inc. has prepared and is responsible for the accompanying consolidated financial statements. The statements were prepared in accordance with generally accepted accounting principles and, reflecting management's best judgment, present fairly the Company's financial position and results of operations.

The Company maintains an accounting system and related controls that we believe are sufficient to provide reasonable assurance that financial records are reliable for preparing financial statements and maintaining accountability for assets. The concept of reasonable assurance is based on the recognition that the cost of a system of internal control must be related to the benefits derived and that the balancing of those factors requires estimates and judgment.

The independent certified public accountants provide an objective, independent review as to management's discharge of its responsibilities insofar as they relate to the fairness of reported operating results and financial condition. They obtain and maintain an understanding of the Company's accounting controls, and conduct such tests and related procedures as they deem necessary to arrive at an opinion on the fairness of the consolidated financial statements.

The Audit Committee, comprised solely of outside directors, periodically meets with the independent certified public accountants, the internal auditors and representatives of management to discuss auditing and financial reporting matters. The independent certified public accountants have free access to meet with the Audit Committee, without management representatives present, to discuss the scope and results of their examination and their opinion on the adequacy of internal control and the quality of financial reporting.

October 3, 1983

**PANTRY PRIDE, INC.**

**Background**

The Financial Accounting Standards Board issued Statement No. 33, Financial Reporting and Changing Prices, which provides methods for presenting information to evaluate the impact of inflation on the historical financial statements. These methods involve the use of numerous assumptions and estimates; therefore, the resulting measurements should be viewed in that context and not as precise indicators of the effects of inflation.

The historical cost financial statements, which do not fully reflect the effects of inflation, are prepared in accordance with generally accepted accounting principles. This method maximizes the reliability of financial reporting because it is objective and verifiable. In the accompanying schedules, this historical cost information has been restated to show (1) the effects of general inflation (constant dollar) and, (2) the effects of changes in specific prices (current cost).

**Constant Dollar**

In the constant dollar restatement, certain historical transactions are stated in dollars of equivalent purchasing power using the Consumer Price Index for all urban consumers. Property, equipment and inventories have been restated in constant dollars; and the related depreciation and amortization expense and change in inventory values are reflected in cost of sales and operating and administrative expenses. Depreciation and amortization expense is calculated using the constant dollar cost of property and equipment and applying the same methods and estimated lives used in preparing the historical financial statements.

**Current Cost**

In the current cost restatement, certain historical transactions are adjusted to reflect changes in specific prices of the resources used in the Company's operations. Appropriate published indices have been selected to adjust the cost of the Company's property and equipment. Depreciation and amortization is calculated using the current cost of property and equipment and applying the same methods and estimated lives used in preparing the historical financial statements. The current cost valuation of inventories is calculated using the approximate purchase cost at year end. Cost of sales reflects the approximate cost at time of sale.

**Summary**

As indicated in the accompanying Consolidated Statement of Earnings (Loss) Adjusted for the Effects of Changing Prices, there is a significant impact on earnings with both the constant dollar and current cost methods. This difference is principally due to changes in cost of sales resulting from two factors. First, because the Company primarily uses the first-in, first-out method of inventory valuation, an amount is added to cost of sales representing inflationary increases in costs. Second, property and equipment which are reported in the primary financial statements at historical cost, would cost substantially more if purchased today. The depreciation and amortization charges in the adjusted statements are based on the higher cost for these assets.

The Company believes that this supplementary data should be viewed with caution since such data cannot objectively portray all financial and economic indicators. Therefore, this information should not be considered as a precise indication of the impact of inflation upon the Company.

(dollars in thousands except per share data)

**CONSOLIDATED STATEMENT OF EARNINGS (LOSS) ADJUSTED FOR THE EFFECTS OF CHANGING PRICES**

| | As Reported In Financial Statements | Adjusted For General Inflation | Adjusted For Changes In Current Costs |
|---|---|---|---|
| Sales | $941,635 | $941,635 | $941,635 |
| Costs and expenses: | | | |
| Cost of goods sold | 724,432 | 726,850 | 724,833 |
| Selling, general and administrative expenses | 208,540 | 218,509 | 218,574 |
| Interest, net | (968) | (968) | (968) |
| | 932,004 | 944,391 | 942,439 |
| Operating profit (loss) | 9,631 | (2,756) | (804) |
| Other income | 7,722 | 7,722 | 7,722 |
| Provision in lieu of income taxes | (8,403) | (8,403) | (8,403) |
| Earnings (loss) from continuing operations | $ 8,950 | $ (3,437) | $ (1,485) |
| Gain in purchasing power of net monetary liabilities | | $ 3,104 | |

At July 30, 1983, the current cost of inventory was $66,282 and the current cost of property and equipment, net of accumulated depreciation was $167,552. Depreciation and amortization expense on a historical cost/constant dollar basis amounted to $22,756 in the aggregate and on a current cost basis amounted to $22,824 in the aggregate.

(dollars in thousands except per share data)

## FIVE YEAR COMPARISON OF SELECTED FINANCIAL DATA ADJUSTED FOR EFFECTS OF CHANGING PRICES

| | FISCAL YEAR | | | | |
|---|---|---|---|---|---|
| | 1983 | 1982 | 1981 | 1980 | 1979 |
| **Sales** | $941,635 | $930,163 | $1,191,926 | $1,085,739 | $1,454,932 |
| **Historical cost information adjusted to constant dollars** | | | | | |
| Loss from continuing operations | (3,437) | (1,069) | (55,839) | (10,651) | |
| Loss from continuing operations per share (a) | (.39) | (.67) | (5.84) | (1.41) | |
| Net assets at end of year | 136,040 | 147,112 | 131,506 | 46,819 | |
| **Historical cost information adjusted to current dollars** | | | | | |
| Earnings (loss) from continuing operations | (1,485) | 1,113 | (50,561) | (3,614) | |
| Loss from continuing operations per share (a) | (.28) | (.45) | (5.29) | (.48) | |
| Net assets at end of year | 133,893 | 149,888 | 138,738 | (26,709) | |
| (Shortage) excess of increase in general price level over increase in specific prices | (2,497) | (7,349) | 6,333 | 9,089 | |
| **Gain in purchasing power of net monetary liabilities** | 3,104 | 9,046 | 34,781 | 74,757 | |
| **Market price per share at year end (b)** | 6.38 | 4.81 | 4.52 | 3.75 | 4.44 |
| **Average consumer price index** | 294.7 | 283.4 | 261.7 | 234.9 | 207.1 |

(a) Earnings (loss) used to calculate per share information, reduced for accretion of $3,111 for fiscal 1983 and $5,536 for fiscal 1982.

(b) The actual year end closing market prices were $6.38, $4.63, $4.00, $3.00 and $3.13 from 1983 through 1979, respectively.

## *Pantry Pride, Inc. and Subsidiaries*
## *Selected Quarterly Financial Data*

(dollars in thousands except per share data)

| | Quarter Ended | | | | |
|---|---|---|---|---|---|
| | **Nov. 20, 1982** (b) | **Feb. 12, 1983** (b) | **May 7, 1983** (b) | **July 30, 1983** | **Total 1983** |
| Sales | $286,392 | $227,266 | $222,343 | $205,634 | $941,635 |
| Gross profit | 64,606 | 52,380 | 52,313 | 47,904 | 217,203 |
| Operating profit | 1,327 | 3,027 | 4,168 | 1,109 | 9,631 |
| Earnings from continuing operations before income taxes | 1,923 | 4,203 | 5,009 | 6,218 | 17,353 |
| Provision in lieu of income taxes | (942) | (1,960) | (2,454) | (3,047) | (8,403) |
| Earnings from continuing operations | 981 | 2,243 | 2,555 | 3,171 | 8,950 |
| Earnings (loss) from discontinued operations | (112) | (98) | 110 | (2,559) | (2,659) |
| Extraordinary items (a) | 1,835 | 2,265 | 2,560 | 589 | 7,249 |
| Net earnings | 2,704 | 4,410 | 5,225 | 1,201 | 13,540 |
| Earnings per share, primary | .07 | .24 | .23 | .05 | .63 |
| Earnings per share, fully diluted | .07 | .24 | .23 | .05 | .62 |

| | Quarter Ended | | | | |
|---|---|---|---|---|---|
| | **Nov. 21, 1981** (b) | **Feb. 13, 1982** (b) | **May 8, 1982** (b) | **July 31, 1982** (b) | **Total 1982** (b) |
| Sales | $273,324 | $219,091 | $223,462 | $214,286 | $930,163 |
| Gross profit | 59,169 | 48,782 | 48,376 | 47,573 | 203,900 |
| Operating profit | 2,302 | 4,389 | 2,930 | 816 | 10,437 |
| Earnings from continuing operations before income taxes | 3,381 | 5,688 | 10,740 | 639 | 20,448 |
| Provision (benefit) in lieu of income taxes | (1,556) | (2,537) | (5,113) | 75 | (9,131) |
| Earnings from continuing operations | 1,825 | 3,151 | 5,627 | 714 | 11,317 |
| Loss from discontinued operations | (537) | (287) | (3,133) | (45) | (4,002) |
| Extraordinary items (a) | 1,140 | 4,512 | 2,252 | 270 | 8,174 |
| Net earnings | 2,428 | 7,376 | 4,746 | 939 | 15,489 |
| Earnings (loss) per share, primary | .07 | .63 | .35 | (.03) | 1.01 |
| Earnings (loss) per share, fully diluted | .07 | .45 | .26 | (.03) | .78 |

(a) Gain from debt reduction and/or utilization of net operating loss carryforward.
(b) Restated to reflect the discontinued Manufacturing operations.

| Fiscal Year | Fiscal Quarter Ended | High | Low |
|---|---|---|---|
| 1983 | November 20, 1982 | 5⅜ | 4¼ |
| | February 12, 1983 | 5¾ | 5 |
| | May 7, 1983 | 6¾ | 4⅞ |
| | July 30, 1983 | 7¾ | 5⅜ |
| 1982 | November 21, 1981 | 4½ | 2⅛ |
| | February 13, 1982 | 5⅛ | 3¼ |
| | May 8, 1982 | 5⅞ | 4⅜ |
| | July 31, 1982 | 5⅞ | 4⅜ |
| 1981 | November 22, 1980 | 3 | 2¼ |
| | February 14, 1981 | 5¾ | 2¾ |
| | May 9, 1981 | 5⅜ | 3¾ |
| | August 1, 1981 | 6 | 3¼ |

Stock Trading Market: New York and Pacific Stock Exchanges
Approximate Number of Stockholders of Record at October 1, 1983: 19,426.

Market quotations are from Pacific Stock Exchange reports through February 18, 1983 and thereafter from New York Stock Exchange reports of composite transactions.

No dividends were declared or paid on the common stock during any of the periods set forth above. (See Note entitled "Plan of Arrangement" from Notes to Consolidated Financial Statements.)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# DIRECTORS

Robert B. Anderson
Business and Financial Consultant

Joseph L. Castle
Business and Financial Consultant

John M. Fox
Chairman, SCA Services, Inc.

Roger L. Galassini
President and Chief Operating Officer

Grant C. Gentry
Chairman and Chief Executive Officer

Jewel S. Lafontant
Partner, Vedder, Price, Kaufman & Kammholz, attorneys at law

Michael Mandelblatt
Senior Vice President, Chief Financial Officer

James J. Needham
Business Consultant

Howard M. Packard
Retired Chairman and President, S. C. Johnson & Son, Inc.

Duane Peters
Retired Executive Vice President, H. E. Butt Grocery Company

## COMMITTEES OF THE BOARD

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John M. Fox
Roger L. Galassini
James J. Needham
Duane Peters

**Audit Committee**
James J. Needham, Chairperson
Robert B. Anderson
Joseph L. Castle
John M. Fox
Jewel S. Lafontant

**Compensation Committee**
Jewel S. Lafontant, Chairperson
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Howard M. Packard

**Nominating Committee**
John M. Fox, Chairperson
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Jewel S. Lafontant
Howard M. Packard
Duane Peters

# PANTRY PRIDE, INC.
(Holding Company)

**Corporate Officers**

Grant C. Gentry
Chairman and Chief Executive Officer

Roger L. Galassini
President and Chief Operating Officer

Robert F. Longacre
Executive Vice President, Jacksonville Operations

Michael Mandelblatt
Senior Vice President, Chief Financial Officer

Darrell V. Stiffler, Jr.
Senior Vice President, Industrial Relations

Neil Thall
Senior Vice President, Adminstration

Howard F. Gordon
Vice President, Secretary and General Counsel

Henry H. Graham
Vice President, Controller

Robert L. McGrath
Treasurer

Margaret M. Fulton
Assistant Secretary

Michael J. Sawyer
Assistant Secretary

## PANTRY PRIDE ENTERPRISES, INC.
(Operating Subsidiary)

**Officers**
Includes all officers of Pantry Pride, Inc. and the following:

Thomas Ballezzi
Vice President, Asset Disposition

Duane E. Buck
Vice President, Manufacturing

Alex Cuesta, Jr.
Vice President, Loss Prevention

Allan A. Goldberg
Vice President, Insurance and Risk Management

Marvin Kushner
Vice President, Maintenance and Construction

Henry L. Morris
Vice President, Store Systems

John W. Ruffin, Jr.
Vice President, General Merchandise

John G. Stebbins
Vice President, Advertising and Sales

David L. Chiras
Assistant Secretary

**Regional Operating Presidents**

Robert F. Longacre, Executive Vice President, Jacksonville Operations
President, Jacksonville Region

Leonard Slider, President, Miami Region

James T. Lane, President, Virginia Region

## EXECUTIVE OFFICES
6500 North Andrews Ave.
Fort Lauderdale, Fla. 33309

## AUDITORS
Touche Ross & Co. Miami, Fla.

## REGISTRAR & STOCK TRANSFER AGENT
Registrar & Transfer Company
10 Commerce Drive
Cranford, N.J. 07016


**PANTRY PRIDE, INC.**
6500 North Andrews Ave.
Fort Lauderdale, Fla. 33309